

## 2 - Blue Ribbon Task Force Final Report

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# FINAL REPORT

November 11, 2015



## BLUE RIBBON TASK FORCE ON TEACHERS AND STUDENTS





## South Dakota State Legislature

Senator Deb Sohlt and Representative Jacqueline Sly

November 11, 2015

Governor Dennis Daugaard  
500 East Capitol Avenue  
Pierre, South Dakota 57501

Dear Governor Daugaard:

On behalf of the 2015 Blue Ribbon Task Force for Teachers and Students, we respectfully submit this final report and recommendations. It could be perceived that the effort is now finished, but truly the work has just begun. The people of South Dakota challenged us to be bold. We believe that these twenty-nine consensus recommendations – and three more that were not fully consensus – are just that: bold. Hallmark to this plan is a call for at least \$75 million in ongoing additional revenue for education, boosting the average teacher salary in the state from \$40,000 to \$48,000, and changing the funding formula to reflect a student to teacher ratio.

The recommendations from the task force are not just about money. Our state needs to increase the pool of teachers and retain the great teachers already in our classrooms. Students need equal access to learning opportunities. Taxpayers need assurances that their tax dollars are being used effectively and as intended. School districts need to know there is equity in the funds they receive, along with being on-going, stable, and sustainable. Communities want to retain responsible local decision making.

The task force came to understand that: 1) schools matter to a community, 2) the most important factor to student success is the presence of a highly qualified teacher, 3) all students should have equal access to learning opportunities, 4) South Dakota faces a teacher shortage, 5) no one plan will fit the needs of all districts and funding equity is essential, and 6) citizens expect that tax dollars are used in a cost-effective manner. Additionally, any sustainable solution for the issues we face will require significant ongoing revenue.

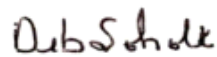
Throughout all, we used consensus decision making as a creative and dynamic way of reaching agreement among all members of our group. Instead of simply voting for an item and having the majority get their way, using consensus committed us to finding solutions that everyone could actively support, or at least can live with. Consensus is used when the topic is complex and multi-faceted and if ever there was a topic where strong buy-in was needed, education funding is it. With 151 unique schools districts and numerous, diverse constituencies – coming to consensus was heavy work. We are proud that this task force was up to the challenge, and rolled up their sleeves and tackled this difficult subject.

After thorough analysis of data and extensive dialogue, the Blue Ribbon Task Force is making these policy recommendations to address the major findings of the K-12 funding system in South Dakota. The policy recommendations are a package, not individual menu options. Each recommendation works to strengthen other parts of the total plan.

We believe that it is now time to act. Solutions for funding education in South Dakota will be a step of courage amongst the public, the executive branch, and the legislature. As co-chairs of the task force, we are confident that we will find a way.

Thank you for entrusting us with this effort.

Respectfully,

A handwritten signature in dark ink, appearing to read "Deb Soholt". The script is cursive and somewhat stylized.

Senator Deb Soholt

A handwritten signature in dark ink, appearing to read "Jacqueline Sly". The script is cursive and elegant.

Representative Jacqueline Sly

## Executive Summary

According to the South Dakota State Constitution, the state has a responsibility to provide a uniform system of free public schools by adopting all suitable means to secure the people the advantages and opportunities of education. In fiscal year 2014 – 15, South Dakota public schools had 129,772 students, 9,362 teacher FTE's within 151 school districts. Each district has unique demographics, geographic challenges, cultural considerations, and community circumstances.

Governor Dugaard charged the 2015 Blue Ribbon Task Force to reevaluate the current funding formula, collect and analyze data, engage with stakeholders, and seek public input. The final charge was to make recommendations to the 2016 State Legislature.

The twenty-six Blue Ribbon Task Force members represented the executive and legislative branches, along with those representing teachers, administrators, school boards, parents, business, and tax payers. Senator Deb Soholt and Representative Jacqueline Sly were co-chairs of the task force. Public input was sought April through June, and five task force meetings were conducted July through October.

The task force came to understand that: 1) schools matter to a community, 2) the most important factor to student success is the presence of a highly qualified teacher, 3) all students should have equal access to learning opportunities, 4) South Dakota faces a teacher shortage, 5) no one plan will fit the needs of all districts and funding equity is essential, and 6) citizens expect that tax dollars are used in a cost-effective manner. Additionally, any sustainable solution for the issues we face will require significant ongoing revenue.

Throughout the process, the task force believed it was essential to base any recommendations upon objective data. Additionally, the "voice of the people" strongly informed the task force throughout the process and is reflected in the final recommendations.

### Major Findings of the Task Force

- State funding priorities indicate a 149% increase in state dollars for K-12 education since FY96. However, other state funding needs have also increased, such as Medicaid which grew by 279%. The share of the State's general fund budget for education has decreased even though the amount of money given to schools through the current per student allocation has increased.
- South Dakota's average teacher salary in 2013 – 14 was \$40,023. South Dakota's salary ranks last among the fifty states and the District of Columbia.
- Even adjusted by a comparable wage index, South Dakota's salaries lag behind the regional average (of Nebraska, North Dakota, Montana, Iowa, Minnesota, and Wyoming) by \$11,888 and \$8,643 behind our next lowest neighbor (North Dakota).
- Teacher turnover is not exclusively related to salaries, but in South Dakota, it is a significant factor.
- The incoming pipeline of teachers will not meet the projected needs of districts when looking ahead five years.

- The current funding formula is based on a per student allocation (PSA) that is derived from a set amount of money available and not the specific needs of a district.
- Capital outlay tax collections have increased by 116.6% or 9% a year from 2003 to 2015. At the same time, the PSA has increased by 25.4% or 2% a year. In actual dollars, the capital outlay increase has been \$82.3 million to \$178.3 million.
- In South Dakota, capital outlay per-student spending exceeds the national average by \$405 per student.
- Administrator costs as a percentage of total expenditures are comparable to surrounding states. Slightly higher than the national average, South Dakota's percentage is lower than North Dakota and Montana and nearly the same as Iowa.
- The number of South Dakota school administrators per student is among the lowest in the region and in line with the national average.
- Reserve fund balances, on average, in South Dakota tend to be larger than is typical nationally.
- Public input yielded qualitative data that developed into clear themes:
  - Citizens seek bold, urgent, meaningful action as they perceive a current or looming crisis in education.
  - New revenue and equitable funding for salaries and benefits are essential in order to retain and recruit high quality teachers.
  - Cost saving measures of increasing efficiencies, cutting non-essentials, relying on more technology, sharing services, and partnering with the business community is imperative.
  - Constituents seek stable, consistent, and equitable funding mechanisms for a long-term solution.
  - Students need a variety of learning experiences in order to prepare them for careers as productive and contributing citizens.
  - Education needs to be marketed as an investment in the future of South Dakota.
  - Positive public perception about the value of education and its role in building strong communities and robust economies is essential.

After thorough analysis of data and extensive dialogue, the Blue Ribbon Task Force makes the following policy recommendations to address the major findings of the K-12 funding system in South Dakota. The recommendations are presented as a package, not as a menu of options. The recommendations work in concert, not as individual pieces.

#### **Recommendations for New Funding Formula**

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- Adopt a new formula based on a statewide target for statewide average teacher salary of \$48,000 and maintain the average statewide student-to-teacher ratio at approximately 14:1.
  - Replace current small school adjustment with a sliding scale, depending on school enrollment, for the target student-to-teacher ratio.
  - Retain the current statutory minimum inflation factor of 3% or inflation, whichever is less in the new formula.
  - Reevaluate teacher salaries every three years to assure South Dakota remains competitive with surrounding states.
  - No change to the Limited English Proficiency Adjustment.
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- No change to the sparsity factor.
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#### **Recommendations for New Funding for Teacher Salaries**

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- At least \$75 million in new ongoing funding for teacher salaries.
  - Use existing funds to the greatest extent possible.
  - Increase the state sales and use tax for additional ongoing revenue.
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#### **Recommendations for Accountability**

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- Adopt mechanisms to monitor the implementation of the new formula
  - Develop benchmarks, in particular for average teacher salaries, to ensure goals are met.
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#### **Recommendations for Voluntary Shared Services**

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- Authorize funds to expand shared state services.
  - Create incentives for sharing personnel.
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#### **Recommendations for Statewide Innovations in Learning**

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- Double the e-Learning Center's course offerings.
  - Allocate funds for innovation in virtual education and customized learning.
  - Appropriate \$1 million in ongoing funds for learning innovation.
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#### **Recommendations for Additional Changes**

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- Reinstate statutory caps on school district general fund reserves.
  - Develop a tiered reserve caps system based on school enrollments.
  - Districts that exceed the reserve fund cap have its state aid payment reduced on a dollar-by-dollar basis.
  - Phase in the caps over a three-year period.
  - Establish an oversight committee to help districts with phase-in strategies for reserve caps, and assist when unique circumstances arise that may make the caps unrealistic.
  - Eliminate the pension levy. The general education levies should be increased by 0.263 mills which would raise the same amount that the pension levy currently raises.
  - Equalize other revenue to establish greater equity by equalizing future growth in other revenue sources.
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#### **Recommendations for Teacher Recruitment and Retention**

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- Full reciprocity be granted to teachers who are certified to teach in another state.
  - Appropriate funds of \$1 million annually for mentoring.
  - Create a New Teachers Academy.
  - Restore funding for National Board Certification.
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#### **Recommendations for Phased-in Approach**

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- Fully implement all recommendations at the end of three years.
- With a phased-in approach, two points must be considered:

- \$75 million in new funding for teacher salaries is intended as a supplement to the current appropriations for schools. If the new funding is phased-in over a period of years, it should be in addition to the inflationary increases required under current law.
  - Target teacher salary of \$48,000 was chosen based on the most recent available data. If the reforms are phased-in over period of years, the target salary must be increased in order to remain competitive with surrounding states.
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#### **Policy Recommendations That Did Not Reach Consensus:**

##### Student/teacher ratio

Task force members agreed that the current 14:1 student teacher ratio was an appropriate target. Some task force members advocated for a minimum/maximum student teacher ratio of 12 for the smallest districts and 15 for the largest districts with a sliding scale for districts with student enrollment between 200 and 600. Other task force members felt that 12 was too high for the minimum target ratio. As consensus was not reached, the minimum/maximum ratio was not set.

##### Capital Outlay

Some task force members advocated for a mechanism to lower capital outlay mill levies by 0.5 mills, and to repurpose those tax collections for general purposes. This change would be made in FY2018, to coincide with the expiration of the current capital outlay flexibility. There was support to hold districts harmless with present committed bond obligations, and allow a phase-in period. A related proposal would have made the current capital outlay flexibility permanent, and perhaps, expanded it to allow for greater movement of dollars between funds. Other task force members opposed making this change on the basis that schools rely on these funds for construction and maintenance costs and that the task force should not attempt to repurpose any existing dollars in school budgets. As consensus could not be reached, the task force made no recommendation for change in capital outlay.

##### Phase-in or Immediate Implementation

Some task force members advocated for the \$75 million in new funding for teacher salaries to be implemented immediately. They stressed that schools face an urgent need and the state should not delay in addressing it. Others on the task force supported a phase-in for the new funding. They asserted that it would make it easier for the Legislature to ensure that the new dollars are being used for their intended purpose and would allow schools time to adjust salary schedules.

## **Conclusion**

Funding for public education, based upon objective criteria, is a priority to assure quality education for the children of South Dakota. And, the presence of a highly qualified teacher is the most important factor in student success. This report identifies issues that exist with respect to teacher salaries, teacher pipeline, and the overall education funding system in our state. Additionally, areas for improved efficiencies, accountability, and expense control are highlighted.

The 2015 Blue Ribbon Task Force on Teachers and Students respectfully submits to Governor Dennis Daugaard, this package of recommended policy changes to address these concerns.

## Formation of the Task Force and Background

Governor Dennis Daugaard and legislative leaders announced the creation of the Blue Ribbon Task Force on Teachers and Students on February 6, 2015. That same day, Governor Daugaard wrote a newspaper column that explained the goals for the task force:

Every year, when the Legislature meets, education is discussed and debated as much as any other topic. That's the way it should be. South Dakota spends approximately half of our general fund budget on education, because we understand that it is a priority for our state.

Very often, debates about education focus on funding. That makes sense, because funding is the principal way that state government affects schools. Local officials decide how many teachers and staff to hire, and what to pay them. They decide which programs and courses to offer. But they make those decisions in the context of available funding.

Still, the focus on funding can draw attention away from the broader discussion – our policy goals for education in South Dakota. I believe that we have three goals: First, we want a quality system of schools focused on student achievement. Second, we want a workforce of great educators. Finally, we want an efficient, equitable funding system that supports those goals.

More funding may be the answer to achieving those goals, but we have a responsibility to the taxpayers to be certain that we are spending their dollars wisely. We need confidence that our state funding system for K-12 schools is aligned with those three goals.

That is why I am joining with legislative leaders to create a Blue Ribbon Task Force on Teachers and Students. This task force will reevaluate the current funding formula. It will collect and analyze data, engage with stakeholders and seek public input. The task force will make recommendations to the 2016 State Legislature for reform.

I know that some will say that, rather than establish a task force, we should take action now. But there are still too many questions that need to be answered.

We need to understand where teacher shortages are occurring and what can be done to address them. We need to ask why 12 states can spend less per student than South Dakota, yet pay their teachers more. We need to ask why, even as we hear growing concerns about teacher salaries, many schools' reserve funds are increasing.

These questions need to be answered with hard data, not anecdotes or opinion surveys, and I have asked the Department of Education to compile hard data on the teaching workforce and on school funding to inform the work of the task

force.

Three years ago, I joined with the Chief Justice and legislative leaders to initiate a year-long review of the criminal justice system. That process took on a difficult issue and resulted in a sweeping reform package that passed with broad support. This year, the Legislature is considering a similar reform package of the juvenile justice system, which is also the product of a year-long process.

We are bringing that same successful process to the issue of school funding. South Dakotans want a quality education for every student, and we want great teachers to provide that education. Through this process, we can gain confidence that our state funding system is focused on achieving these important goals.

On March 18, 2015, Governor Dugaard announced the initial appointments to the task force, representing the executive and legislative branches. He named Sen. Deb Soholt of Sioux Falls and Rep. Jacqueline Sly of Rapid City, the chairs of the Senate and House education committees, to co-chair the task force. Joining them on the task force were:

- Sen. Corey Brown of Gettysburg
- Sen. Troy Heinert of Mission
- Sen. Billie Sutton of Burke
- Sen. Craig Tieszen of Rapid City
- Rep. Justin Cronin of Gettysburg
- Rep. Paula Hawks of Hartford
- Rep. Mark Mickelson of Sioux Falls
- Rep. Steve Westra of Sioux Falls
- Dr. Melody Schopp – Secretary of Education
- Tony Venhuizen – Chief of Staff to Governor Dugaard
- Jason Dilges – Commissioner of the Bureau of Finance and Management

Additional task force members were named on June 12, 2015 to represent teachers, administrators, school boards, parents, business, and taxpayers:

- Dave Davis – member of the Rapid City Area Board of Education and businessman
- Dr. Becky Guffin – Superintendent of the Aberdeen School District
- Vicki Harmdierks – Principal of Gertie Belle Rogers Elementary School in Mitchell
- LuAnn Lindskov – math and science teacher at Timber Lake High School and 2014 South Dakota Teacher of the Year
- Dr. Brian Maher – Superintendent of the Sioux Falls School District
- DeLon Mork – Madison businessman
- Steven O'Brien – English teacher at Watertown High School
- Erik Person – Superintendent of the Burke School District
- Beth Pietila – Yankton parent and volunteer
- Dr. Michael Rush – Executive Director of the Board of Regents
- Jim Scull – Rapid City businessman

- Eric Stroeder – member of the Mobridge Board of Education and President of the Associated School Boards of South Dakota
- Kevin Tetzlaff – Brookings businessman

That same day, Governor Dugaard wrote a newspaper column updating the public on the task force's progress. He described the task force's extensive public outreach to gather feedback, which was underway, and asked the public to keep an open mind:

Many ideas and suggestions have come forward – everything from a longer school year, to consolidation or sharing among small districts, to differential pay for high-demand teaching fields, to increased funding through a new tax.

Ideas like these can be controversial and I know they will lead to more discussion. That is why I have asked the task force to consider all viewpoints, honestly consider all available data and use good judgment as it recommends reforms. This process does not have a predetermined outcome and, at this point, no options should be taken off the table.

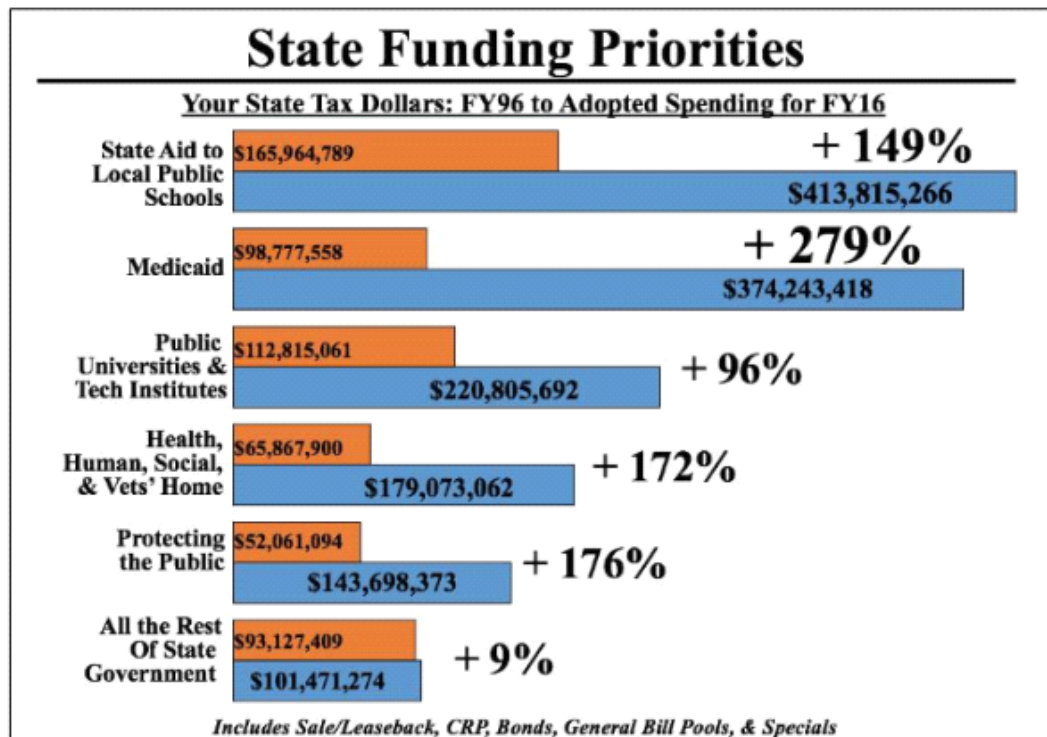
I hope everyone will wait to judge the process until it ends, and will consider the task force's recommendations with an open mind. That is what I will do.

The Governor made the same point in opening comments at the task force's first meeting, held on July 7 in Pierre. Additional meetings were held in Pierre on August 19, September 9, October 1, and October 29.

## Major Findings

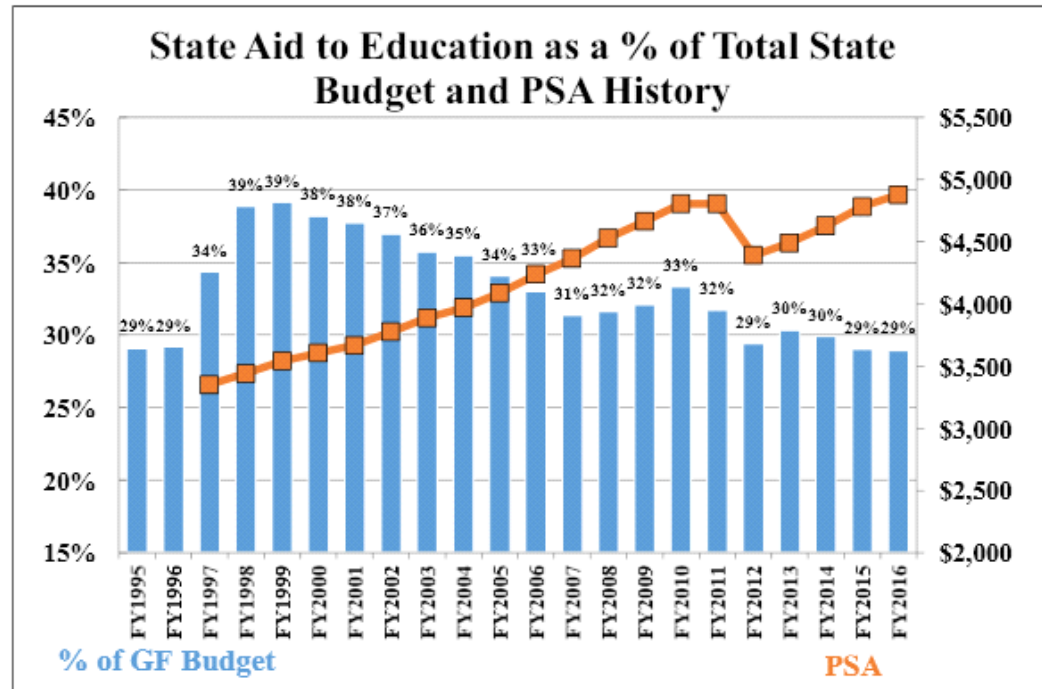
### Statewide Funding of Education

Over the past 20 years, the state has had to face a variety of budgetary issues. State funding for K-12 schools has increased 149% over that period. That number could have been larger, but the increase in the state Medicaid budget of 279% over that same period has limited the revenue available for all other priorities, including education.



Source: SD Bureau of Finance and Management

Because of the twenty year growth trend in Medicaid, the share of the State's General Fund budget has decreased even though the amount of money given to schools through the per student allocation has increased.



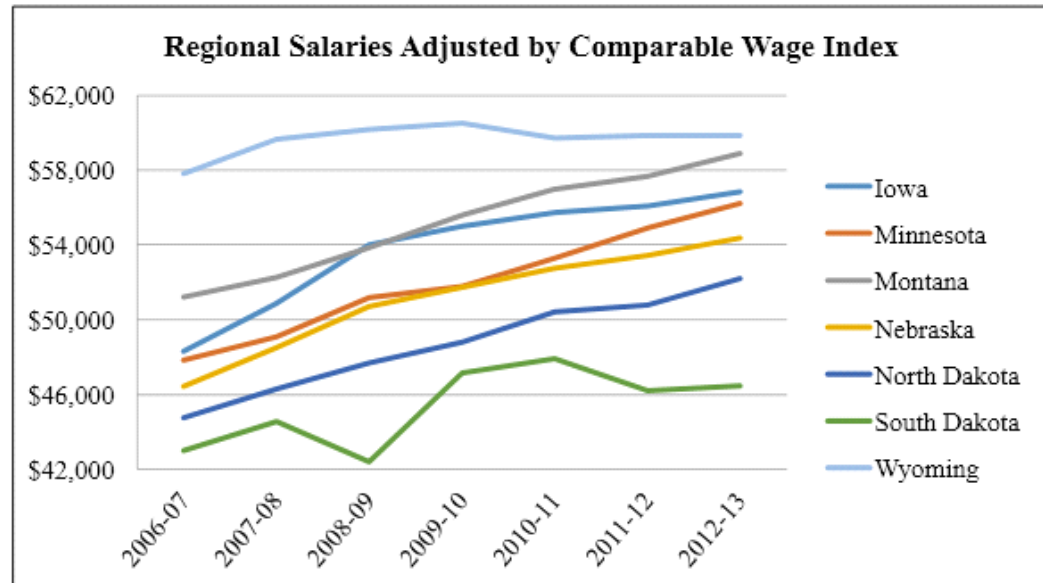
Source: SD Department of Revenue and SD Department of Education

Over the years, the State's contribution to K-12 education has put schools in a disadvantaged position. They are unable to pay their teachers competitive salaries and have remained behind the region and the nation.

### Teacher Salaries

South Dakota's average teacher salary in 2013-14 was \$40,023. South Dakota's salary ranks last among the fifty states and the District of Columbia. Even adjusted by a comparable wage index, South Dakota's salaries lag behind others in the region. South Dakota's low salaries are a hindrance to teacher recruitment and retention. South Dakota has been ranked last in the nation with respect to teacher salaries for quite some time, but the wage gap is significantly widening in relationship to our market share neighbors which compels urgent action to change our 51<sup>st</sup> ranking.

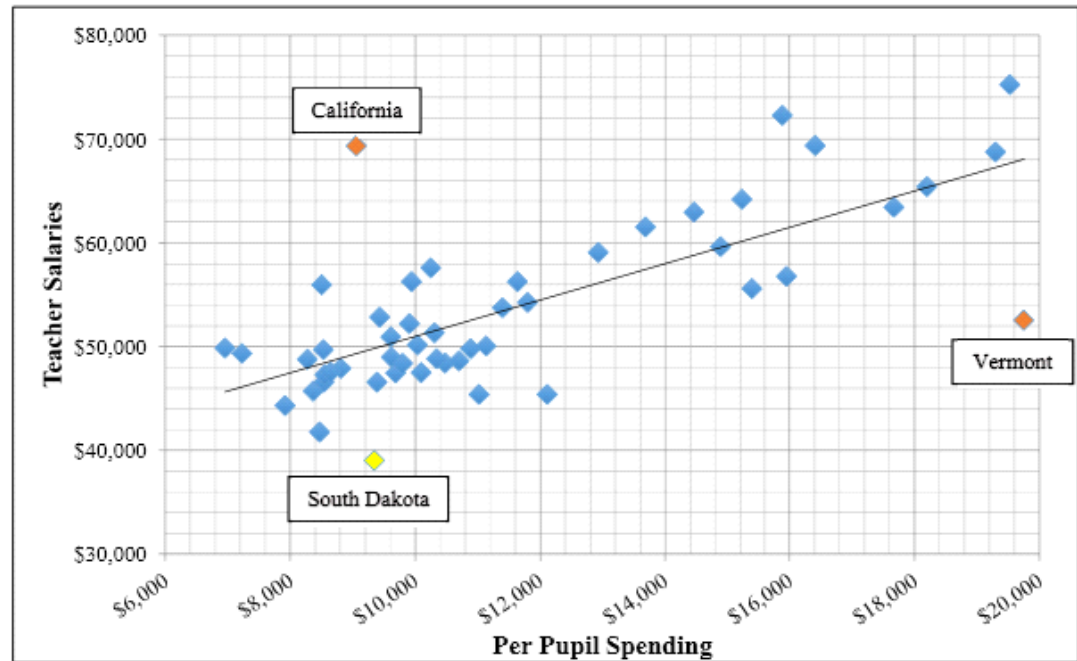
South Dakota teacher salaries lag behind the regional average (of Nebraska, North Dakota, Montana, Iowa, Minnesota, and Wyoming) by \$11,888 and \$8,643 behind our next lowest neighbor (North Dakota).



Source NEA Rankings and Estimates

While South Dakota's teacher pay is last in the country, the state's funding per student is not last. South Dakota's funding per student is approximately 40<sup>th</sup> in the country. Across the country, there is a positive correlation between funding per student and average teacher pay, as one would expect. However, the correlation is not absolute and individual states allocate funds in their own way.

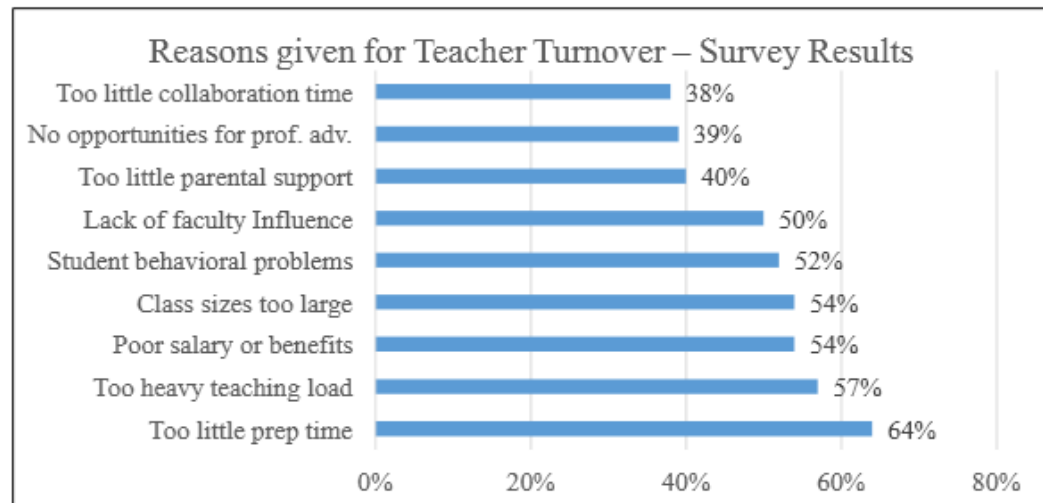
The following graph shows the relationship between funding per student and average teacher pay across all 50 states.



Source: NEA Rankings and Estimates

No one factor fully explains the discrepancy between per student funding and teacher pay in South Dakota. Among the factors that contribute are significantly more spending on capital expenses, a relative low student-to-teacher ratio, and spending on non-instructional costs that is slightly higher than the national average. Each of these factors can be attributed, in part, to the small and rural nature of many South Dakota school districts.

Teachers do not leave the profession exclusively because of salaries. Teaching is a challenging occupation with many difficult aspects. Dr. Richard Ingersoll, an expert in teacher pipeline issues, presented to the task force on this topic. The following is a national survey of reasons teachers gave for leaving the occupation. The survey data is nationwide, and the task force acknowledged that low salaries are probably a more significant factor in South Dakota. Unfortunately, no similar data exists that is specific to South Dakota.



Source: Ingersoll, R. & Perda, D.

Salary is one element for turnover, and as a teacher shortage continues to grow, the top non-salary reasons for turnover also increase further potentiating the problem.

## Workforce

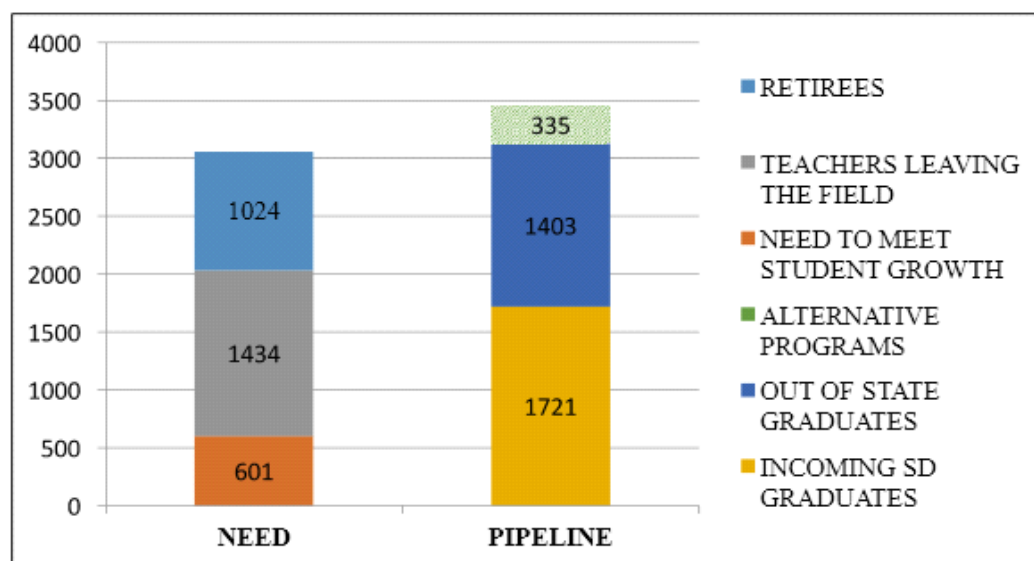
South Dakota faces a teacher shortage. The most important factor to promote student success is the presence of a highly qualified teacher. South Dakota students face a loss of educational opportunity caused by the shortage of professional teachers in our state.

Throughout the next five years, the incoming pipeline of teachers will meet the projected needs of school districts in total with 3,059 new teachers.

- 601 new teachers based on increasing enrollments and current staffing levels.
- 1,434 vacant positions from teachers that have left the field.
- 1,024 vacant positions from teachers that retire.

Over that same time period, a total of 3,495 new teachers will come into the profession.

- 1,721 teachers joining the profession after graduating from South Dakota institutions.
- 1,403 teachers coming to South Dakota from other states.
- 335 teachers from alternative programs like Teach for America.



Source: South Dakota Department of Education

While the expected pipeline does exceed the expected need, the difference is marginal and made up almost entirely of teachers from alternative programs. While alternative programs are a viable option for many schools, they should not be a required aspect of our incoming pipeline. Our incoming pipeline of teachers minimally provides the number of new teachers needed over the next five years.

This will leave only one applicant for each open teaching position throughout the next five years. Only having one applicant per opening does not adjust for a built-in misalignment of geography and skills. Further, this does not take into account applicant quality. By having limited excess

pipeline, schools will be forced to hire less qualified candidates or leave some positions vacant. This may result in an unacceptable drop in student achievement.

Further, some schools are disproportionately affected by a shortage of teachers. Many rural school districts face greater struggles in hiring than many urban districts. Certain types of teachers, such as math teachers, are increasingly difficult to hire in many districts today.

South Dakota's low salaries increase the likelihood that teachers will leave the field and pursue another career. Low salaries make it more likely that new graduates with a teaching degree will choose another career. Low salaries make it less likely that teachers from other states will continue to come to South Dakota.

Dr. Richard Ingersoll, an expert in teacher pipeline issues, informed the task force that the issues South Dakota was facing were not unique. States across the country are facing these very same issues. Several states had identified this as a top problem facing their state. Nationally, the turnover rate in the K-12 public education system for teachers is 15% (Ingersoll, R. Analyses of 2000 – 2001 Teacher Followup Survey). In South Dakota the turnover rate has increased from 9% in 2013-14 to 12% in 2014 -15 (South Dakota Department of Education PRF).

Increasing teacher salaries should increase the incoming pipeline of new teachers and help ensure school districts have quality teachers to hire.

### **Current Funding Formula**

The current funding formula has issues and inequities that the Blue Ribbon Task Force recommends be changed by the Legislature. The current funding formula is based on a per student allocation ("PSA"). It was a number determined by the Legislature at the inception of the formula based on the state funding for schools. That number has increased by inflation over the life of the formula but is not based on any tangible input into the education system.

The evolution of funding outside of the formula has led to an imbalance between money for capital expenses and general revenue. The growth of capital outlay property tax collections, which go into a restricted-use fund, has outpaced the growth in general revenue that would allow schools greater flexibility. This has led to schools having more money that is restricted to capital expenses and not enough money for base operations like teacher salaries.

There are some school districts that benefit disproportionately from money that goes directly to their school district and is not accounted for in the formula. The existence of a wind farm in South Dakota should not be a windfall just for the specific school district which it is located in, but instead for all the school districts in the state. Certain other revenue sources should benefit all school districts, not just the district where the revenue source resides. Those inequities should be addressed.

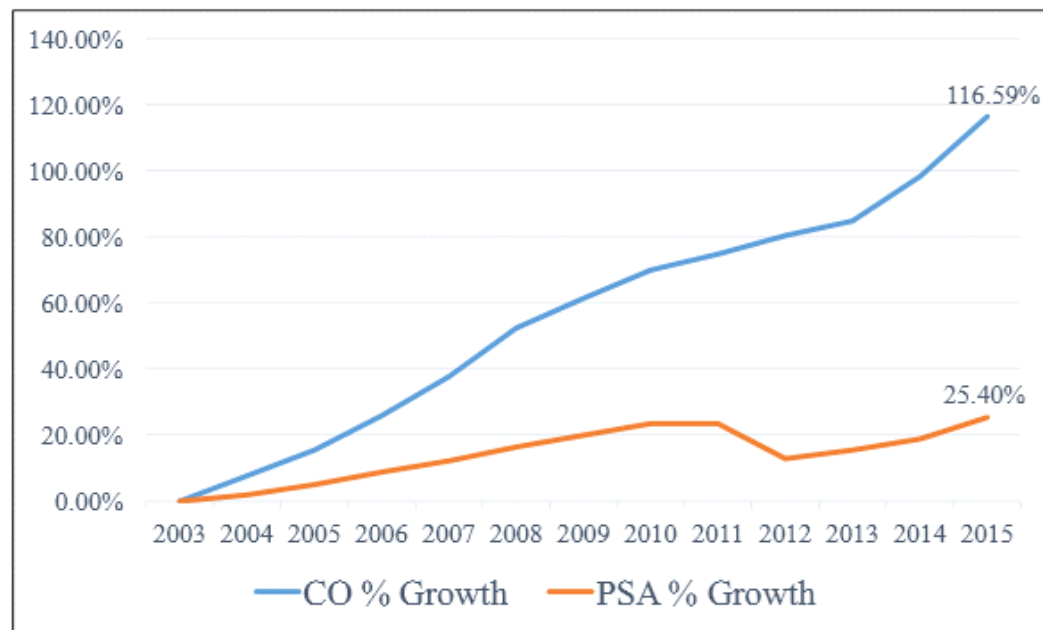
Some school districts have saved more money in reserves than is considered reasonable. School districts should have some money in reserves to be fiscally responsible, but saving too much

money reduces what is available for children currently in the system. Money appropriated today should be spent on children today. Almost one third of districts, 49, have general fund reserves in excess of 50% of their operating budgets.

The current funding formula is based on a PSA that is nothing more than a dollar amount that increases with inflation. Over the past 15 years, the current system has tied schools' hands by requiring that a growing portion of money, capital outlay, be used only on capital expenses. The system does not equitably distribute money outside of the formula to all school districts and does not ensure that money distributed to schools is spent for the benefit of current students.

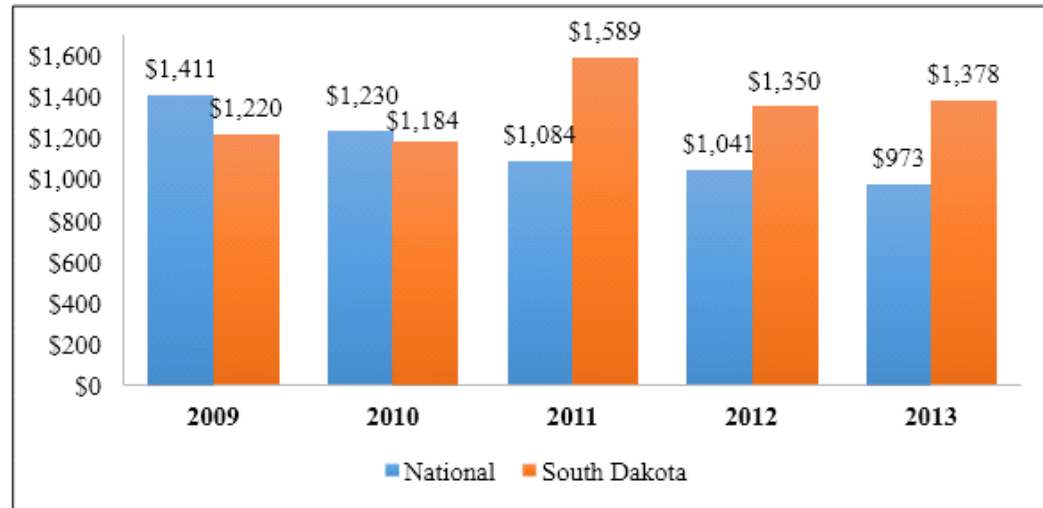
### Capital Outlay

During the last 10-15 years, growth in school district tax collections for capital outlay significantly outpaced growth in the per student allocation for general purposes. From 2003 to 2015, the per student allocation increased by 25.4%, or 2% per year. During that same period, total tax collections for capital outlay increased by 116.6%, or 9% per year. In actual dollars, capital outlay collections during this period increased from \$82.3 million to \$178.3 million.



Source: SD Bureau of Finance and Management

Significantly, according the U.S. Census Bureau, South Dakota's per-student spending on capital outlay exceeds the national average by \$405 per student.

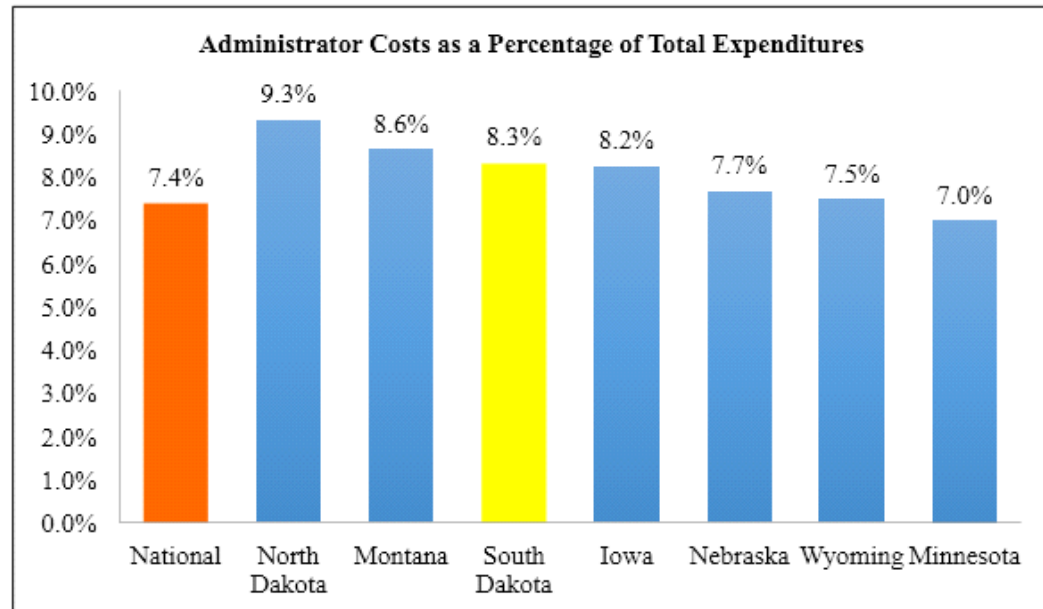


Source: U.S. Census

The construction and maintenance of facilities is important to a quality education. Many school districts have recognized, however, the need to shift some funds from capital outlay to general operations. The “capital outlay flexibility,” which is currently authorized through FY2018, allows schools to do this. In FY2014, schools shifted \$15 million to general education using this mechanism. Yet, the task force has heard from school administrators that the temporary nature of this flexibility makes schools reluctant to build these funds into base budgets.

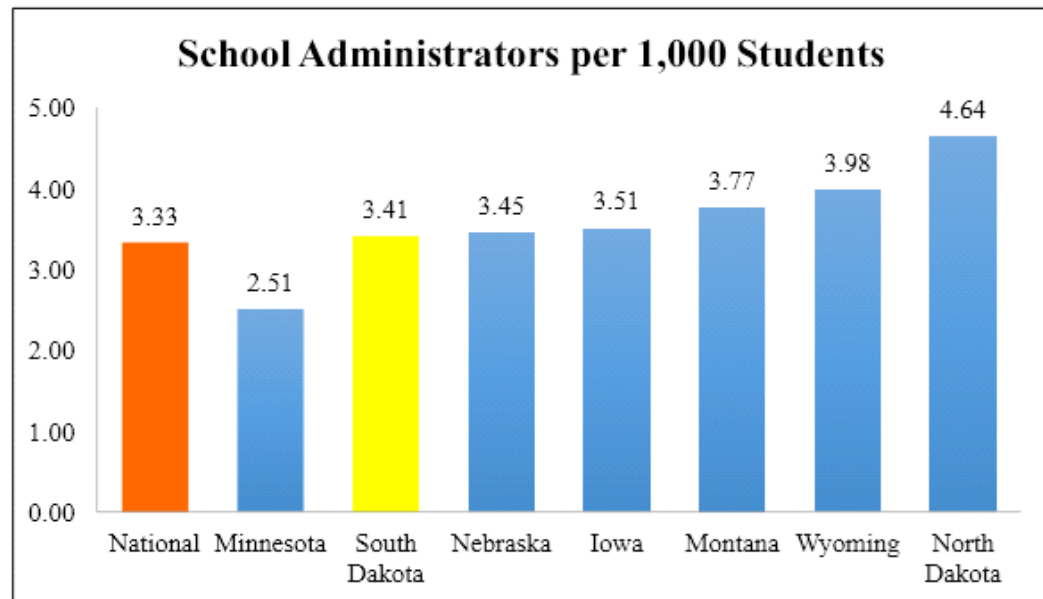
## Administration Expenses

In South Dakota, school spending on administration is comparable to surrounding states. Although slightly higher than the national average, South Dakota's percentage is lower than North Dakota's and Montana's, and nearly the same as Iowa's.



Source: Education Commission of the States

South Dakota schools' number of administrators per student is among the lowest in the region. Among adjoining states, only Minnesota, which has a much larger average district size, employs fewer administrators per student than South Dakota. In fact, this metric shows that South Dakota is in line with the national average.



Source: Education Commission of the States

Based on this data, the task force concluded that administration expenses are in line with national and regional comparisons, and that this is not a significant opportunity for savings.

### School Reserve Fund Balances

School reserve fund balances, as a percentage of the general fund, have increased since state caps on fund balances were repealed in 2011. The average school district in South Dakota has reserve funds equal to 27.67% of its general fund budget.

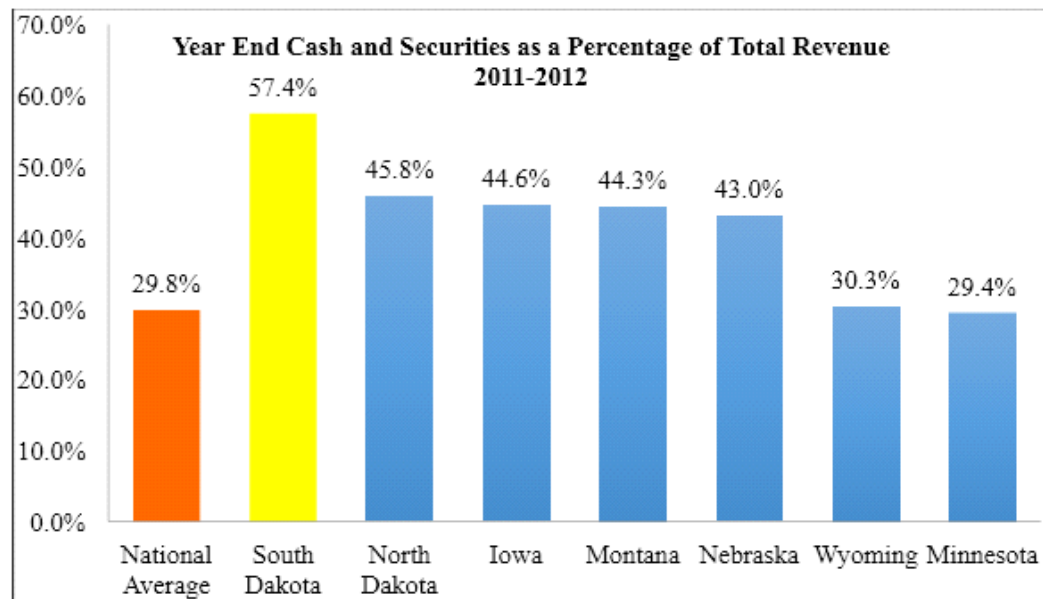
The reserve fund balance varies greatly among school districts.

- 7 districts have reserve fund balances in excess of 100%.
- 42 districts have reserve fund balances between 50% and 100%.
- 59 districts have reserve fund balances between 25% and 50%.
- The remaining 43 districts have reserve fund balances of less than 25%.

Michael Griffith, a school funding expert from the Education Commission on the States, commented that it appears that South Dakota has one of the highest reserve fund balances across districts in the nation. However, he was not able to find a state-by-state analysis that uses the

same methodology that South Dakota uses to quantify reserve fund balances. The task force acknowledged that all 151 school districts are unique, and that assumptions should not be made regarding fund balances without analysis of each district.

The U.S. Census Bureau offers a 50-state comparison of “year end cash and securities as a percentage of total revenue.” This is not the same metric that South Dakota uses to measure reserve fund balances, and it results in a much higher rate of savings for South Dakota than the 27.67% average the state calculates. However, it does offer an “apples-to-apples” comparison across the fifty states:



Source: U.S. Census

The Census Bureau study indicates that, by this measure, South Dakota’s rate of saving is #2 in the nation, behind only Nevada. South Dakota is nearly double the national average and is higher than any surrounding state – although states in this region tend to exceed the national average as well.

Although the task force could not identify a 50-state comparison that uses methodology similar to South Dakota, the evidence considered tends to indicate that South Dakota schools, on average, build larger reserves than is typical nationally.

## Qualitative Feedback

Throughout April, May, and June, meetings were held to gather feedback from the teachers, the business community, interest groups, and the public at large on needed reforms for the education system. Feedback was collected from over 1,300 people across the state.

While the feedback was varied, clear themes developed throughout the meetings:

#### **Constituents Seek Meaningful Action**

The citizens of South Dakota that voluntarily participated in this data collection process perceive a current or looming crisis in education. They seek bold, urgent and meaningful action to retain quality educators and to ensure a pipeline of future educators to provide appropriate learning experiences for South Dakota students. Competitive salaries and benefits have been identified as a major factor in accomplishing this task.

#### **New Revenue and Equitable Funding for Salaries and Benefits**

Increasing salaries and benefits in order to retain and recruit high quality teachers has implications for school funding. Suggestions offered as cost saving measures across venues included increasing efficiencies, cutting non-essentials, relying on more technology, sharing services, and partnering with the business community. Identifying new revenue sources emerged as the most prevalent theme across all venues. Constituents seek stable, consistent, and equitable funding mechanisms for a long-term solution.

#### **High Quality Opportunities for Student Success**

Constituents expressed interest in students having a variety of quality learning experiences in order to prepare them for careers, post-secondary success, and to be productive and contributing citizens. Concerns were expressed about the learning conditions for students and about the teaching conditions for educators. Schools need adequate infrastructure, technology, and materials to support high levels of learning.

#### **Improve Perceptions and Invest in Education**

Educators perceive themselves as being undervalued and that education needs to be marketed as an investment in the future of South Dakota, rather than as a burden to society and taxpayers. All venues expressed a need to boost public perception about the value of education and its role in building strong communities and robust economies.

## **Policy Options**

The task force's findings support a conclusion that South Dakota should increase its average statewide teacher salary. This is a major premise of recommendations to follow. Increasing the average salary serves as a tangible goal. The task force has found that South Dakota needs to increase the size of the state's teaching workforce – by retaining teachers in the profession, attracting more young people into teaching, and keeping more new teachers in the state. The best way for South Dakota to meet that goal is by increasing teacher salaries.

The task force's proposals will recommend new funding to attain the goal of higher teacher salaries. The task force also proposes changes to the school funding formula. The task force recognizes that the best time to make changes to the school funding formula is when new revenue is being introduced.

Additionally, the task force is recommending shared services for efficiencies and savings, the development of statewide innovative learning, and additional teacher recruitment and retention initiatives.

The recommendations should be considered as a package of policies that work in concert with each other, and not as individual options.

## **New Funding Formula**

The task force recommends that South Dakota revise its school funding formula to elevate the role of teachers in education and to set a statewide target for average teacher salary.

This new formula would reflect real input costs of the educational system. Rather than basing school funding on a per-student dollar amount, the new formula is based upon a target teacher salary and targets for student-to-teacher ratio, and other expenses. This is more transparent for both legislators and citizens and will facilitate a better discussion each budget cycle.

Under the current funding formula, schools are funded on a per student basis, and funding is based on a per student allocation (PSA), which is \$4877 for the 2015-16 school year. This PSA is not based on actual costs, but rather it is a historical number that has been inflated since 1995.

South Dakota's statewide average teacher salary for FY2014 was \$40,023 and the average student-to-teacher ratio is 14:1. This ratio is based on certified instructional staff numbers and not specific class size. Additionally, the teacher salary figure is an average of all teacher's salaries in the state, and not individual salaries per se.

The task force recommends that South Dakota adopt a new formula based on a statewide target for average teacher salary of \$48,000 and maintaining the average statewide student-to-teacher ratio at approximately 14:1. These numbers are for calculation purposes to fund the formula and not be considered absolutes for every teacher or classroom.

The task force noted that \$48,000 would be the minimum to bring the teacher salary average into the lower range of market with respect to surrounding states. Average teacher salary and student-to-teacher ratios should be monitored in an ongoing way to assure relevance.

The task force recommends that the current small school adjustment be replaced with a sliding scale, depending on school enrollment, for the target student-to-teacher ratio. The task force requests that the Department of Education calculate the maximum and minimum ratio, so that the new formula adds at least \$75 million in new funding for salaries and comports with the target average salary of \$48,000 and the target statewide ratio of approximately 14:1.

The task force agreed this new formula would work as follows:

- For each district, calculate a target student-to-teacher ratio, based on a sliding scale by student enrollment.
- The district's target number of teachers is calculated by dividing the district's fall enrollment by the target student-to-teacher ratio.
- The district's total instructional need is calculated by multiplying the district's target number of teachers by the statewide target for average teacher salary, and by increasing that total by 30% for benefits.
- The total instructional need is increased by 29% to cover non-instructional costs. This category includes operating costs as well as salaries and benefits of non-instructional staff, such as administrators, guidance counselors, librarians and school nurses.
- These steps will calculate the district's total need for state aid. At this point, local aid will be applied against total need, with the state providing any necessary funds to achieve the total need.

It is the task force's intention that the 30% factor for benefits would fully fund school's benefit costs and that the 29% factor for non-instructional costs would fund these expenses at the same level that they receive state funding today. The task force requests that the Department of Education verify that these two factors are consistent with the task force's intent.

The new formula would retain the current statutory minimum inflation factor of 3% or inflation, whichever is less. However, the task force recommends that, every three years, state policymakers reevaluate teacher salaries and recommend revised salary targets to ensure that South Dakota teacher salaries remain competitive with those in surrounding states.

The task force recommends no change to the Limited English Proficiency Adjustment, but recommends that policymakers periodically review this factor to ensure that it aligns with actual costs.

The task force also recommends no change to the sparsity factor. Although some task force members expressed an interest in expanding the sparsity factor, the task force agreed that the needs of small schools are also addressed in the new formula by the sliding student-to-teacher ratio.

The task force emphasizes that, although this funding formula targets a statewide average teacher salary and other targets to calculate local need, the state would not mandate how school districts

use these dollars. The intention is that all teacher salaries – even those at \$48,000 or above - will be raised in the state to achieve the new average statewide target of \$48,000.

It must be noted the strong intent of the task force to use additional dollars to raise teacher salaries and increase the statewide average.

The task force believes that this system will give the Legislature and the Governor a transparent process to set a target for average teacher salary and to demonstrate that school districts are receiving adequate dollars to achieve that target. The task force also believes that its recommendations for reforming the funding formula, and for creating new opportunities for efficiency, will help school districts achieve these targets.

#### **Recommendations for New Funding Formula**

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- Adopt a new formula based on a statewide target for statewide average teacher salary of \$48,000 and maintain the average statewide student-to-teacher ratio at approximately 14:1.
  - Replace current small school adjustment with a sliding scale, depending on school enrollment, for the target student-to-teacher ratio.
  - Retain the current statutory minimum inflation factor of 3% or inflation, whichever is less in the new formula.
  - Reevaluate teacher salaries every three years to assure remain competitive with surrounding states.
  - No change to the Limited English Proficiency Adjustment.
  - No change to the sparsity factor.
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#### **New Funding for Teacher Salaries**

Over the course of the task force's work, the single biggest question has been whether or not the task force would support new revenue for schools. During numerous stakeholder meetings and listening sessions, "raise a tax" was one of the most common recommendations to the task force. Another common recommendation, to "be bold," was often meant to encourage new revenue.

The task force found that new funding for teacher salaries is necessary to accomplish the task force's goals and the changes outlined in this report.

The task force considered several scenarios under the new funding formula to calculate the "need" for teacher salaries. These scenarios for new funding ranged from \$62 million to \$103 million.

After extensive discussion, the task force recommends that at least \$75 million in new ongoing funding for teacher salaries is needed to accomplish the changes outlined in this report. This amount is within the range of formula options the task force considered. Although some task force members advocated for a larger amount, the task force believes this amount is enough to

attain the goal of higher average teacher salaries while also enacting proposals for reform of the funding formula.

The task force did not have the benefit of projections for state revenues or for expenditure needs in other areas of the state budget, and therefore could not ascertain whether any portion of this \$75 million need can be funded using existing revenues. The task force would support the use of existing revenues to meet this need, to the extent possible.

The task force explored the education funding options of state sales and use tax, seasonal sales tax, non-municipal sales tax, cigarette tax, alcohol taxes, and other revenue sources such as bank franchise tax and corporate income tax. Some task force members also expressed an interest in personal income tax as a possibility.

If a new revenue source is necessary, the task force recommends an increase in the state sales and use tax as a proven and stable ongoing revenue stream that demonstrates a high potential for growth. The task force would encourage the Governor and the Legislature to consider any form of sales tax increase to raise the recommended amount.

The task force also discussed the possibility that a tax increase could raise more revenue than is necessary to fund the task force's recommendations. The task force discussed using excess revenues to fund tax relief, such as the repeal of the sales tax on food, a reduction in property tax levies or both.

#### **Recommendations for New Funding for Teacher Salaries**

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- At least \$75 million in new ongoing funding for teacher salaries.
  - Use existing funds to the greatest extent possible.
  - Increase the state sales and use tax for additional ongoing revenue.
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#### **Accountability**

Although the new funding formula retains local control and does not mandate how state aid dollars are spent, the task force urges the Governor and the Legislature to adopt mechanisms to monitor the implementation of the new formula. Policymakers should develop benchmarks, in particular for average teacher salaries, to ensure that the goals of this task force are being met.

Through these benchmarks, and by adopting a more transparent funding formula that is based on real input costs, policymakers can build a stronger working relationship with school districts and can undertake a more substantive discussion of school funding during each legislative session.

#### **Recommendations for Accountability**

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- Adopt mechanisms to monitor the implementation of the new formula
  - Develop benchmarks, in particular for average teacher salaries, to ensure goals are met.
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## **Voluntary shared services**

For years, South Dakota has embraced voluntary shared services, provided by the state, to create opportunities for efficiency and savings by school districts. The most high-profile example is the “technology in schools” program, an outgrowth of Gov. Bill Janklow’s “wiring the schools” effort. Under this program, the state centrally provides the infrastructure and equipment for technology, negotiating centrally, and achieving millions of dollars in annual savings.

A similar approach has been taken in other areas. Schools are given the opportunity to use, at no cost, a state student information system and a state system for teacher evaluations. Both systems are used by almost all school districts. The task force recommends that the Legislature authorize funds to expand this successful approach into more areas such as food service, accounting software, purchasing, and payroll.

Additionally, the task force recommends the creation of incentives for sharing personnel such as teachers, administration, business officials, or food service directors. Sharing of personnel should be an option for districts, especially where the use of technology or geographic proximity allows it. While shared services create an increased general fund cost to the state, school districts that take advantage enjoy an even greater savings, freeing up school district funds for teacher salaries and other local needs.

### **Recommendations for Voluntary Shared Services**

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- Authorize funds to expand shared state services.
  - Create incentives for sharing personnel.
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## **Statewide Innovations for Learning**

The task force has found that higher teacher salaries are necessary to increase the size of the state’s teaching workforce. The task force also recognizes, however, that shortages may persist in the state. For example, rural and remote communities struggle to attract professionals of all kinds, and school districts in these regions need tools to provide quality education even when they cannot attract teachers.

The ideal would be for every South Dakota school to have access to a wider range of qualified teachers, curriculum materials, learning experiences, and sources of knowledge. The task force recognizes that this ideal is not always attainable. In order to ensure that every student has access to equal educational opportunities and high-quality instruction, South Dakota needs to expand statewide innovations for learning.

The task force commends the work of the Statewide Center for e-Learning at Northern State University. The task force recommends that the e-Learning Center’s course offerings be doubled to expand capacity, and that the necessary funds be allocated to increase faculty salaries, attract top tier talent and train both course instructors as well as local facilitators. The Center should

continue its approach of allowing instructors to work from their hometowns, rather than requiring them to move to Aberdeen.

These courses should continue to be provided at no cost to South Dakota schools, and the e-Learning Center should continue to prioritize its offerings to first serve those schools that are most in needs of its services.

Additional opportunities for partnerships between higher education and public schools should be sought and encouraged.

Finally, the task force commends the work of Technology and Innovation in Education and recommends that the Legislature allocate funds for innovation in virtual education and customized learning. Incentives should be provided for local school districts that are willing to customize the education experience to meet the individual needs of students, with teachers trained in facilitating learning with the use of technology.

The Task Force recommends that at least \$1 million in ongoing funds be appropriated to advance these proposals.

#### **Recommendations for Statewide Innovations in Learning**

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- Double the e-Learning Center's course offerings.
  - Allocate funds for innovation in virtual education and customized learning.
  - Appropriate \$1 million in ongoing funds for learning innovation.
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### **Additional Changes**

One of the task force's goals is to ensure that South Dakota's school funding formula is fair and equitable, and the task force recommends changes relating to reserve fund caps, the pension levy, and other revenues. None of the following changes are intended to create new, ongoing funding for teacher salaries. However, each is recommended as a way to improve the current formula.

#### **Reinstatement of Reserve Fund Caps**

The task force recognizes the necessity of school district reserve funds as a management tool to protect districts against unforeseen circumstances. The task force also believes, however, that funds allocated for K-12 education should be spent to benefit the students currently in the system and should not be held back for years to defray future expenses.

For that reason, the task force recommends reinstated statutory caps on school district general fund reserves. The task force recognizes that if caps are based on a percentage of the annual general fund budget, smaller districts may be constrained to reserves that are too small to be prudent. For that reason, the task force recommends a tiered system similar to Nebraska and recommends three tiers of caps based upon school enrollments.

As with South Dakota's earlier caps, the task force recommends that a district that exceeds the reserve funds cap have its state aid payment reduced on a dollar-by-dollar basis.

The task force appreciates that the 2015 Legislature enacted legislation to collect data on school month-end cash balances, rather than on an annual basis. To recognize the need for some funds for cash flow purposes, the task force recommends that the cap be calculated by considering a school district's reserves to be the lowest reported month-end cash balance in the past twelve months.

The new month-end cash balance data was not available prior to the task force's final meeting but should be available in November. For that reason, the task force requests that the Department of Education analyze that data when it is available, and recommend an appropriate cap for each of the three tiers. The task force recognizes that the sudden imposition of caps could require districts to spend unwisely to come into compliance. For that reason, the task force recommends that the caps be phased-in over a three-year period.

Finally, the task force recommends establishment of an oversight committee to help districts with phase-in strategies and assist when unique circumstances arise that may make the caps unrealistic.

#### **Abolition of the Pension Levy**

In South Dakota, school districts are allowed to assess up to 0.3 mills for a pension levy. In fact, most school districts use general education funds to pay for employer payments to the South Dakota Retirement System. The pension levy may be used to supplement those expenses or for other related expenses such as early retirement buyout packages.

The task force finds that the pension levy is an anachronism and recommends that this levy be incorporated into the general education levy. The pension levy should be eliminated, and the general education levies should be increased by 0.263 mills which would raise the same amount that the pension levy currently raises.

The task force emphasizes that it does not consider this change to be creating "new money" for teacher salaries or benefits. Rather, this change meets the goal of a fair and efficient funding formula, by simplifying the current system, allowing schools more flexibility with the funds, and equalizing collections across the state. It also allows for these local property tax payments to count toward local effort.

The task force also notes that under its proposal for a revised school funding formula, the "local effort" calculation specifically includes 30% for payment of employee benefits, including employer contributions to SDRS. The task force requests that the Department of Education verify that, after the pension levy is incorporated into the general education levy, the 30% factor for benefits remains the appropriate number.

## **Equalization of Other Revenues**

South Dakota school districts receive funds, outside the funding formula, from numerous sources. These funding sources are not equalized through the school funding formula, but rather remain with the school district. Some sources, such as IMPACT Aid, cannot be redistributed due to federal law. Others, such as food service revenue, tuition from out-of-state districts, and extracurricular game receipts, should stay within the district that collects them.

The task force identifies six important sources of “other revenue” that could be equalized across school districts. These sources are: gross receipts tax on utilities, local revenue in lieu of taxes, county apportionment of revenue from traffic fines, county revenue in lieu of taxes, wind farm tax, and bank franchise tax. These six sources have the character of a state tax, and allowing the dollars to stay local creates windfalls for certain districts and inequity across the state.

The task force acknowledges that on several occasions in the recent past, the Legislature has considered proposals to equalize “other revenue” that school districts receive, outside of the funding formula. However, none of these proposals has occurred at the same time that significant new funding was being introduced into the school funding formula. The task force believes that if new revenues are raised for K-12 education, the time is right to also solve this flaw in the funding formula.

The task force reached a consensus that the Legislature should move toward greater equity in this area by equalizing future growth in these revenue sources. Each school will be given a base determined by the most recent year’s cumulative revenue from these six revenue sources. In subsequent years, any revenue collected that exceeds the base will be counted as local effort and added into the per teacher formula to be shared among all school districts in the state.

Some task force members would have gone farther with a more aggressive approach, which would achieve equalization by counting these six sources as “local effort” in the school funding formula. Counting these revenues as “local effort” is simpler than attempting to redistribute them outside of the formula. Those advocating for this approach believe that the current system is inequitable and unjustifiable.

A related, “hybrid” approach was also suggested. Under this approach, the Legislature would initially be equalized as the task force is recommending – by giving each school district a base to hold schools harmless at current revenue levels and by equalizing growth above that base. However, under this hybrid option, the base at which schools are held harmless would be phased out over a period of years, so that eventually these revenue sources would be distributed equally. This approach would hold school districts harmless initially and give districts time to adjust to equalization of these revenue sources.

## **Recommendations for Additional Changes**

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- Reinstating statutory caps on school district general fund reserves.
- Developing a tiered reserve cap system based on school enrollments.
- Districts that exceed the reserve fund cap have its state aid payment reduced on a dollar-by-dollar basis.

- Phase in the caps over a three-year period.
  - Establish an oversight committee to help districts with phase-in strategies for reserve caps, and assist when unique circumstances arise that may make the caps unrealistic.
  - Eliminate the pension levy. The general education levies should be increased by 0.263 mills which would raise the same amount that the pension levy currently raises.
  - Equalize other revenue to establish greater equity, by equalizing future growth in other revenue sources.
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## **Capital Outlay**

The task force found that capital outlay revenue has grown significantly faster than general education funding in the recent past. South Dakota spends more per student on capital costs than the national average. This likely results from significant increases in assessed value of agricultural land in recent years, and a limited cap on maximum annual growth of capital outlay taxes.

Some task force members advocated for a mechanism to lower capital outlay mill levies by 0.5 mills, and to repurpose those tax collections for general purposes. This change would be made in FY2018, to coincide with the expiration of the current capital outlay flexibility. There was support to hold districts harmless with present committed bond obligations and to allow a phase-in period.

A related proposal would have made the current capital outlay flexibility permanent, and perhaps expand it to allow for greater movement of dollars between funds.

Other task force members opposed making this change, on the basis that schools rely on these funds for construction and maintenance costs and that the task force should not attempt to repurpose any existing dollars in school budgets.

As consensus could not be reached, the task force made no recommendation for change in capital outlay.

## **Teacher Recruitment and Retention**

### **Recruitment Through Reciprocity**

The task force acknowledges that state certification requirements for teachers can make it more difficult to attract teachers from other states to come to South Dakota. The task force recommends that full reciprocity be granted to teachers who are certified to teach in another state and have completed an accredited teacher education program. Implementation of this recommendation will require amendment of the certification rules currently in place. The task force recommends that as the Department of Education considers this recommendation, it ensure

means exist for all teachers in South Dakota continue to complete the required course in South Dakota Indian Studies.

### **Retention Through Mentoring**

Another consistent theme during public meetings and task force meetings was the need to support teachers who are new to the profession. The Department of Education has implemented an online mentoring program in rural and high needs schools across the state, which has had great success retaining teachers beyond their first year. The task force recommends funds of \$1 million annually for mentoring support in the first two years of a teacher's employment through expansion of the current online model in rural areas and support of current successful mentoring programs already in place. Additionally, the task force recommends a New Teachers Academy, a summer workshop for teachers following their first year of teaching.

### **Retention Through National Board Certification**

National Board Certification recognizes great teachers who go above and beyond. The task force wants the number of nationally board certified teachers to expand in South Dakota. This certification is nationally-recognized and acknowledges accomplished teachers through a rigorous process focused on improving practice as an educator. South Dakota currently has 106 teachers who have obtained National Board Certification. Current state statute, SDCL 13-42-26, provides for reimbursement of application fees and matching stipends for teachers who have successfully been awarded this credential. The task force recommends that funding be restored for National Board Certification and that teachers who did not receive past yearly stipends and application fees due to budget cuts be reimbursed. This recommendation would have an estimated one-time cost of \$150,000 and an ongoing cost of \$50,000.

### **Recommendations for Teacher Recruitment and Retention**

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- Full reciprocity be granted to teachers who are certified to teach in another state.
  - Appropriate funds of \$1 million annually for mentoring.
  - Create a New Teachers Academy.
  - Restore funding for National Board Certification.
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### **Phased-in Approach**

Many of the task force's recommendations, such as the implementation of reserve fund caps or the equalization of other revenues, expressly include a phased-in or delayed implementation. The task force recommends that the Governor and the Legislature consider a plan whereby all of the task force's recommendations are fully implemented at the end of three years – that is, prior to the 2018-19 school year. This gives school districts time to adapt to the reforms and implement changes with proper foresight.

Some task force members advocated for the \$75 million in new funding for teacher salaries to be implemented immediately. They stressed that schools face an urgent need and the state should not delay in addressing it.

Others on the task force supported a phase-in for the new funding. They asserted that it would make it easier for the Legislature to ensure that the new dollars are being used for their intended purpose, and would allow schools time to adjust salary schedules.

The task force did not reach consensus on whether the \$75 million in new funding for teacher salaries should be implemented at once or over a period of years. However, the task force did agree that, if a phased-in approach is for any portion of the new funding, the Legislature and the Governor need to consider two points:

- First, the \$75 million in new funding for teacher salaries is intended as a supplement to the current appropriations for schools. If the new funding is phased-in over a period of years, it should be in addition to the inflationary increases required under current law.
- Second, the target teacher salary of \$48,000 was chosen as a target based on the most recent available data. If the reforms are phased-in over period of years, the target salary must be increased in order to stay competitive with surrounding states.

#### **Recommendations for Phased-in Approach**

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- Fully implement all recommendations at the end of three years.
  - With a phased-in approach, two points must be considered:
    - \$75 million in new funding for teacher salaries is intended as a supplement to the current appropriations for schools. If the new funding is phased-in over a period of years, it should be in addition to the inflationary increases required under current law.
    - Target teacher salary of \$48,000 was chosen based on the most recent available data. If the reforms are phased-in over period of years, the target salary must be increased in order to remain competitive with surrounding states.
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### **Policy Recommendations That Did Not Reach Consensus**

#### **Student/Teacher Ratio**

Task force members agreed that the current 14:1 student teacher ratio was an appropriate target. Some task force members advocated for a minimum/maximum student teacher ratio of 12 for the smallest districts and 15 for the largest districts with a sliding scale for districts with student enrollment between 200 and 600. Other task force members felt that 12 was too high for the minimum target ratio. As consensus was not reached, the minimum/maximum ratio was not set.

#### **Capital Outlay**

Some task force members advocated for a mechanism to lower capital outlay mill levies by 0.5 mills, and to repurpose those tax collections for general purposes. This change would be made in

FY2018, to coincide with the expiration of the current capital outlay flexibility. There was support to hold districts harmless with present committed bond obligations and allow a phase-in period. A related proposal would have made the current capital outlay flexibility permanent, and perhaps expanded it to allow for greater movement of dollars between funds. Other task force members opposed making this change, on the basis that schools rely on these funds for construction and maintenance costs and that the task force should not attempt to repurpose any existing dollars in school budgets. As consensus could not be reached, the task force made no recommendation for change in capital outlay.

#### **Phase-in or Immediate Implementation**

Some task force members advocated for the \$75 million in new funding for teacher salaries to be implemented immediately. They stressed that schools face an urgent need and the state should not delay in addressing it. Others on the task force supported a phase-in for the new funding. They asserted that it would make it easier for the Legislature to ensure that the new dollars are being used for their intended purpose, and would allow schools time to adjust salary schedules.

## **Conclusion**

Funding for public education, based upon objective criteria, is a priority to assure quality education for the children of South Dakota. And the presence of a highly qualified teacher is the most important factor in student success. This report identifies issues that exist with respect to teacher salaries, teacher pipeline, and the overall education funding system in our state. Additionally, areas for improved efficiencies, accountability and expense control are highlighted.

The 2015 Blue Ribbon Task Force on Teachers and Students respectfully submits to Governor Dennis Daugaard, this package of recommended policy changes to address these concerns.